

Tax Insights

VAT and insurance

The VAT treatment of insurance can be complex.
So what do you need to consider?

The VAT treatment of insurance and related services can be complex and open to misinterpretation. We highlight some of the key issues to consider below.

Planning

The supply of insurance is generally exempt, with the result that businesses in the sector cannot claim back the VAT they pay out; this makes it particularly important to consider VAT when planning M&A activity and structuring outsourcing arrangements. In order to minimise your potential VAT loss as you continue to grow, you will need to think about how your business is structured and the impact of VAT on transactions between groups of companies.

Reliefs

The insurance sector benefits from exemptions from VAT where intermediary services are provided that are related to insurance transactions and provided in an intermediary capacity. This can minimise the amount of irrecoverable VAT incurred. VAT exemptions are applied narrowly so it is important that you correctly understand what they cover.

Maximisation of 'input tax'

Not all supplies made by insurers or intermediaries are exempt from VAT and, in some cases, transactions attract the right to 'input tax credit' – in other words, some VAT can be reclaimed in the normal course of business using the 'partial exemption' or other similar methods.

You may benefit from using something other than the sales-based standard method for your VAT calculations if you believe this does not achieve a fair and reasonable result for your business. For example, there are particular rules governing the recovery of VAT incurred on capital items, such as the cost of refurbishing a building.

Future developments

Significant changes in VAT are expected to come into effect in 2019, which will affect the insurance sector and may have an impact on your business.

As well as navigating the issues resulting from Brexit, businesses will be faced with new rules relating to 'Making Tax Digital' and new legislation on VAT accounting for intermediaries that supply services to offshore insurance companies. We can help you to understand these developments and their potential impact.

For further information and to find out how we can help you, please contact us



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